

Congress of the United States
House of Representatives
Washington, D.C. 20515

March 19, 2004

The Honorable Joshua Bolten
Administrator
Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Dear Mr. Bolten:

We are writing to request information regarding OMB's involvement in the development of estimates of the cost of the Medicare prescription drug bill that President Bush signed on December 8, 2003.

Considerable attention has been focused in recent days on what HHS knew about the cost of the Medicare prescription drug benefit and whether this information was communicated to Congress. On March 11, it was reported that HHS's Chief Actuary Richard Foster had been threatened by Medicare chief Thomas Scully with the loss of his job if he released to congressional Democrats analyses showing that the program would cost far more than the \$400 billion cited by the Administration.¹ Mr. Foster received an e-mail from Mr. Scully's top assistant on June 20, 2003, instructing him not to share the numbers with Congressional Democrats and that "the consequences for insubordination are extremely severe."²

HHS, however, rarely acts on its own on issues of this magnitude, especially when they have major ramifications for the federal budget. Rather, HHS ordinarily coordinates its budget estimates and legislative strategies closely with the White House, including the Office of Management and Budget. In this case, there appears to have been extensive White House involvement in the development of cost estimates for the prescription drug provisions. In February 2003 in the presentation of the President's fiscal year 2004 budget, OMB wrote that a major element of President Bush's "\$400 billion" Medicare Modernization was "A Truthful View of Medicare's Fiscal Status."³

¹ *Official Says He Was Told to Withhold Medicare Data*, Washington Post (Mar. 13, 2004).

² *June 20 Directive Says 'Work up the Numbers' and Points to 'Consequences for Insubordination'*, Wall Street Journal (Mar. 18, 2004).

³ Office of Management and Budget, *Budget, Fiscal Year 2004* (Feb. 3, 2003).

Recent news reports have indicated that top Administration officials were aware of the higher cost estimates for “months.”⁴ Mr. Foster has said that the cost estimates he prepared were provided not only to Mr. Scully and top officials at HHS, but also to the White House and the Office of Management and Budget. He also said that some estimates were sent directly to Doug Badger, senior health policy coordinator at the White House.⁵ In addition, Mr. Foster reported that Mr. Scully said more than once that he “was just following orders.”⁶

White House officials have recently acknowledged that the White House knew that \$400 billion could be a low estimate. Spokesman Thomas Duffy confirmed that some estimates were received for “parts” of the bill.⁷

We are writing to determine the extent to which OMB was aware of Mr. Foster’s analyses or other analyses projecting costs above \$400 billion. In addition, we would like to know what estimates of the program’s potential cost OMB prepared or received at various points in the legislation’s history. Please provide by April 5, 2004, all estimates and analyses prepared by OMB, or in the possession of OMB, regarding:

1. S. 1 as introduced in the Senate, reported out of committee, and passed by the Senate;
2. HR. 1 as introduced in the House, reported out of committee, and passed by the House;
3. Versions of the final legislation considered by the House-Senate conference committee; and
4. The legislation signed by President Bush on December 8, 2003.

In addition, please provide:

5. All correspondence and records of phone calls and meetings related to the Medicare drug prescription bill between OMB and the HHS Office of the Actuary; and
6. All correspondence and records of phone calls and meetings related to the Medicare drug prescription bill between OMB and the Congressional Budget Office.

⁴ *Higher Medicare Costs Suspected for Months*, Washington Post (Jan. 31, 2004).

⁵ *Democrats Demand Inquiry into Charge by Medicare Officer*, New York Times (Mar. 14, 2004).

⁶ *Contempt for Congress*, Washington Post (Mar. 18, 2004).

⁷ *Democrats Demand Inquiry into Charge by Medicare Officer*, *supra* note 5..

The Honorable Joshua Bolten
March 19, 2004
Page 3

We are writing a similar letter to White House Chief of Staff Andrew Card to determine what information other White House officials may have about this issue.

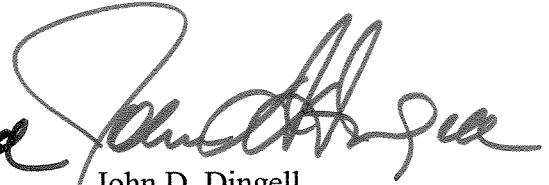
Sincerely,



Henry A. Waxman
Ranking Minority Member
Committee on Government
Reform



Charles B. Rangel
Ranking Minority Member
Committee on Ways and
Means



John D. Dingell
Ranking Minority Member
Committee on Energy
and Commerce



Pete Stark
Ranking Minority Member
Joint Economic Committee



Sherrod Brown
Ranking Minority Member
Subcommittee on Health
Committee on Energy and Commerce